

How to Determine the FY2021 Levy Limit

I. TO CALCULATE THE FY2020 LEVY LIMIT:

- A. FY2019 Levy Limit - FY2019 levy limit exclusive of debt or capital expenditure exclusion, water/sewer exclusion, specific purpose stabilization fund override or other adjustments per special legislation.
- A1. Amended FY2019 Growth - Amended growth for FY2019 certified by the Bureau of Local Assessment after FY2019 tax rate approval but before FY2020 tax rate approval.
- B. 2.5% Annual Increase - IA plus IA1, multiplied by 2.5%.
- C. FY2020 New Growth - FY2020 tax base growth certified by the Bureau of Local Assessment.
- C1. FY2020 New Growth Adjustment – Division of Local Services staff use only when corrections are warranted for the FY2020 tax levy. Documentation will be required.
- D. FY2020 Override - Override approved by voters for FY2020 or amount appropriated for the same purpose(s), whichever is less. Do not include FY2020 debt exclusions, capital expenditure exclusions and/or specific purpose stabilization fund override.
- E. FY2020 Subtotal - Add lines IA, IA1, IB, IC, IC1 and ID.
- F. FY2020 Levy Ceiling - FY2020 assessed valuation multiplied by 2.5%.
- I. FY2020 Levy Limit - The lesser of lines IE and IF.

II. TO CALCULATE THE FY2021 LEVY LIMIT:

The FY2021 levy limit is determined in the same manner as the FY2020 levy limit.

- A. FY2020 Levy Limit - Amount from I above.
- A1. Amended FY2020 Growth - Amended growth for FY2020 certified by the Bureau of Local Assessment after FY2020 tax rate approval but before FY2021 tax rate approval.
- B. 2.5% Annual Increase - IIA plus IIA1, multiplied by 2.5%.
- C. FY2021 New Growth - FY2021 tax base growth certified by the Bureau of Local Assessment.
- C1. FY2021 New Growth Adjustment – Division of Local Services staff use only when corrections are warranted for the FY2021 tax levy. Documentation will be required.
- D. FY2021 Override - Override (or underride) approved by voters for FY2021 or amount appropriated for the same purpose(s), whichever is less. Do not include FY2021 debt

exclusions, capital expenditure exclusions and/or specific purpose stabilization fund override. Underrides are shown on this line as negative numbers.

- E. FY2021 Subtotal - Add lines IIA, IIA1, IIB, IIC, IIC1 and IID.
- F. FY2021 Levy Ceiling - FY2021 assessed valuation multiplied by 2.5%.
- II. FY2021 Levy Limit - The lesser of lines IIE and IIF.

III. TO CALCULATE THE FY2021 MAXIMUM ALLOWABLE LEVY:

- A. FY2021 Levy Limit - Amount from II above.
- B. FY2021 Debt Exclusion(s) - For each debt exclusion approved by the voters, the total principal and interest due and payable in FY2021 on the borrowing except:
 - Any state or federal reimbursement received for its share of the project (e.g., Massachusetts School Building Authority payment. See [Informational Guideline Release \(IGR\) 08-102](#), *Guidelines for the Application of School Building Assistance Grants*, for details);
 - Surplus debt proceeds transferred to a non-debt excluded project (see below); or
 - Bond or note premiums received on excluded debt sold after November 7, 2016 (see below).

Excess Reimbursement

Excess Massachusetts School Building Authority (MSBA) funds received in any fiscal year after the last fiscal year that debt service is due on an excluded project, must be reported on form DE-1 as an adjustment to reduce all other excluded debt service and may result in a negative debt exclusion for that fiscal year. These funds are then applied on page 3 of the Recap as a Miscellaneous Non-Recurring estimated receipt.

Excess/Shortage of Prior Year Debt Service

Any unspent debt service excluded in FY2020 must be reserved and appropriated for the FY2021 debt service for the excluded project. The reservation must be shown on the balance sheet. If the amount was not so reserved and appropriated, contact your Bureau of Accounts representative for further instructions.

Reserved debt service for an excluded regional school project must be so appropriated within two fiscal years. For example, the June 30, 2020 balance sheet reserve must be used for either the FY2021 or FY2022 regional school district budget process.

Any excluded debt service expended in excess of the amount excluded will not be credited on form DE-1 in the next fiscal year unless a debt service deficit due to this project is being raised by taxation in the next fiscal year.

Use of Surplus Excluded Debt Proceeds for Another Project

If the project has been completed, abandoned or discontinued, there may be unspent surplus debt excluded proceeds. [G.L. c. 44, § 20](#). If the debt excluded proceeds when the project is completed, abandoned or discontinued are over \$50,000, the debt exclusion for that project must be reduced proportionately unless the surplus proceeds are appropriated for a project that is not debt-excluded. See [IGR 17-22, Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#), for instructions on how to calculate and apply the reduction.

Surplus proceeds must result from reasonable, good faith actions on the part of the treasurer and other local officials in issuing the debt, i.e., not intended to create available funds for other spending purposes.

If the project for which the surplus debt excluded proceeds are appropriated is not also debt excluded, a new debt exclusion may be presented to voters to exclude any remaining unspent surplus proceeds by referencing the original exclusion and change of purpose in the question.

Receipt of Premiums from Debt Excluded Borrowing

Premiums (net of issuance costs) received on debt excluded bonds or notes sold before November 7, 2016 must be:

- Reserved and appropriated over the life of the debt to pay the interest on the associated debt excluded project to ensure that the borrowing reflects the true interest cost of financing the project. The debt exclusion for the project must be reduced proportionately. See [IGR 17-22, Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#), for instructions on how to calculate and apply the reduction.
- Applied to pay down BANs for municipal and regional school district borrowings not fully financed; or
- Appropriated to pay project costs for municipal and regional school district borrowings, not fully financed. The city, town or regional school district must also vote to reduce the borrowing authorization by the amount of premium used for project costs.

For regional school districts borrowings, all member communities must have approved the debt exclusion.

Premiums (net of issuance costs) received on debt excluded bonds or notes sold on or after November 7, 2016 must be either:

- Used to pay project costs and to reduce the amount of the borrowing authorization by the same amount when the borrowing vote so authorizes; or
- Reserved for appropriation for capital projects for which a loan has been, or may be, authorized for an equal or longer period of time than the loan for which the premium was received. If the net premium received at the time of the sale is over \$50,000, the debt

exclusion for that project must be reduced proportionately. See [IGR 17-22, *Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt*](#), for instructions on how to calculate and apply the reduction.

Funded Through Other Revenues

If user fees, betterments, special assessments or other local revenues are being used to defray all or part of the costs of the project, a community may exclude a lesser amount of the debt service by reporting these revenues as reimbursements on form DE-1.

However, if the betterments or special assessments were assessed to defray all or part of the debt service on a borrowing authorized on or after November 7, 2016, the betterments or special assessments, including interest on unpaid and apportioned assessments, must now be reserved for appropriation for the payment of debt issued in connection with the improvements. [G.L. c. 44, § 53J](#). If the debt has been excluded, only that portion, if any, appropriated or raised by the general fund is reported on form DE-1.

Enterprise Fund

A community operating an enterprise fund ([G.L. c. 44, § 53F½](#)) or special revenue fund (water per [G.L. c. 41, § 69B](#), others by special acts) may exclude the gross debt service on a borrowing that has been excluded. If so, it must budget that property tax subsidy to the enterprise fund or special revenue fund. The increase in allowable levy attributable to the exclusion cannot be spent for any other purpose.

Community Preservation Fund

For a community operating a community preservation fund ([G.L. c. 44B](#)), the debt service must be net of the community preservation monies appropriated for the payment.

DE-2 and DE-3

See [IGR 02-101, *Proposition 2½ Debt Exclusions*](#), for procedures and forms to be used by cities and towns with approved debt exclusions in order to obtain a determination from the Director of Accounts about the inclusion of cost increases within an exclusion or use an adjusted exclusion schedule.

- C. FY2021 Capital Expenditure Exclusion(s) - For each capital expenditure exclusion approved by the voters for FY2021, report the amount approved in the question or the amount appropriated for the same purpose(s), whichever is less, minus any state or federal reimbursement received for each capital acquisition. For this purpose, a capital expenditure is any item that a community could fund by incurring debt under [G.L. c. 44, §§7 or 8](#), but has elected to fund by appropriation.

Funded Through Other Revenues

If user fees, betterments, special assessments or other local revenues are being used to defray all or part of the costs of the project, a community may exclude a lesser amount of the capital expenditure by reporting these revenues as reimbursements on form DE-1.

Enterprise Fund

A community operating an enterprise fund ([G.L. c. 44, § 53F½](#)) or special revenue fund (water per [G.L. c. 41, § 69B](#), others by special acts) may exclude the gross capital expenditure exclusion. If so, it must budget that property tax subsidy to the enterprise fund or special revenue fund. The increase in allowable levy attributable to the exclusion cannot be spent for any other purpose.

Community Preservation Fund

For a community operating a community preservation fund ([G.L. c. 44B](#)), the amount reported must be net of the community preservation monies appropriated for the capital acquisition.

- D. FY2021 Stabilization Fund Override - See [IGR 17-20](#), *Stabilization Funds*, for more details. Despite its placement on the levy limit calculation form, this override cannot increase the levy limit above the FY2021 levy ceiling.
- E. FY2021 Other Adjustment - Applicable amount as adopted by:
 - 1. Special legislation (i.e., Cape Cod Commission assessment, certain Regional Refuse Disposal Management District assessments, etc.).
 - 2. [G.L. c. 111 §127B½](#) for septic system repairs and upgrades, lead paint abatements and underground fuel tank removals treated as betterments.
- F. FY2021 Water / Sewer - Amounts added under [G.L. c. 59 § 21C\(n\)](#) for water and sewer debt where rates are reduced by the same amount. See IGR 93-207, *Property Tax Increase for Water and Sewer Debt Costs*, for details.
- G. FY2021 Maximum Allowable Levy - Add lines IIIA, IIIB, IIIC, IIID, IIIE and IIIF. This is the maximum amount you may raise in property taxes for FY2021. Your FY2021 tax levy, as reported on the FY2021 Tax Rate Recapitulation form, CANNOT exceed this amount.

IV. REPORTING REQUIREMENTS

All Proposition 2½ ballot votes with final voting results for both wins and losses must be certified by the Clerk and should be submitted within two weeks after the election to the Division of Local Services Data Analytics and Resources Bureau. All submissions must include both the sample ballot and results. Missing documentation may cause a delay in certifying your community's annual tax rate.

Email submissions to the Data Analytics and Resources Bureau at databank@dor.state.ma.us. It is not necessary to send hard copies of the information through the mail.

To correctly certify your FY2021 levy limit, include the following with your FY2021 Tax Rate Recapitulation form unless previously provided to the Division of Local Services:

- A. New Growth - Tax Base Growth Report (LA-13) in accordance with departmental guidelines.
- B. Amended New Growth - Amended Tax Base Levy Growth Report (LA-13A) in accordance with departmental guidelines.
- C. Overrides
 - 1. New ballot questions, certified by the Clerk, including date of election and number of votes for and against.
 - 2. Please identify that the ballot question is an override.
 - 3. Copy of the appropriation for the purpose if the override is specific rather than general in nature.
 - 4. Copy of the annual vote by the Selectboard, Town Council or City Council (with the Mayor's approval if required by law) to "appropriate" any of the additional capacity resulting from the special purpose stabilization fund override.
- D. Debt Exclusions
 - 1. New ballot question, certified by the Clerk, including date of election and number of votes for and against.
 - 2. Schedule DE-1 "Debt Exclusion Form."
 - 3. Debt schedule for new excludable debt obligations.
 - 4. Schedules DE-2 and/or DE-3, if applicable.
 - 5. Any additional schedule(s) or letter(s) in accordance with departmental guidelines (e.g., settlement sheet for calculation of net debt exclusion when there is a bond premium, special worksheet for bond premium amortization, etc.).
- E. Capital Expenditure Exclusions
 - 1. New ballot question, certified by the Clerk, including date of election and number of votes for and against.
 - 2. Please identify that the ballot question is a capital exclusion.
 - 3. Copy of appropriation(s) vote(s) for the purpose(s) stated in the ballot question.